

RESEARCH & FORECAST REPORT



Industrial Market Stabilized in the Fourth Quarter

MARKET OVERVIEW

The North I-680 industrial market stabilized in the fourth quarter of 2013 with vacancy remaining at 7.8 percent. Businesses in most industry segments have either stabilized, or in some instances are once again looking to expand. Leasing transaction frequency was similar to the third quarter with the majority of leasing taking place in Concord and Antioch along with new activity in Brentwood. There was a total of 9,507 square feet of negative net absorption for the quarter. Total asking rents increased \$0.04 per square foot (PSF) to \$0.66 PSF, a three year high. Antioch led the market in net absorption with 207,258 square feet, followed by Martinez with 7,342 square feet. Pittsburg gave back the most space with 182,114 square feet of negative net absorption.

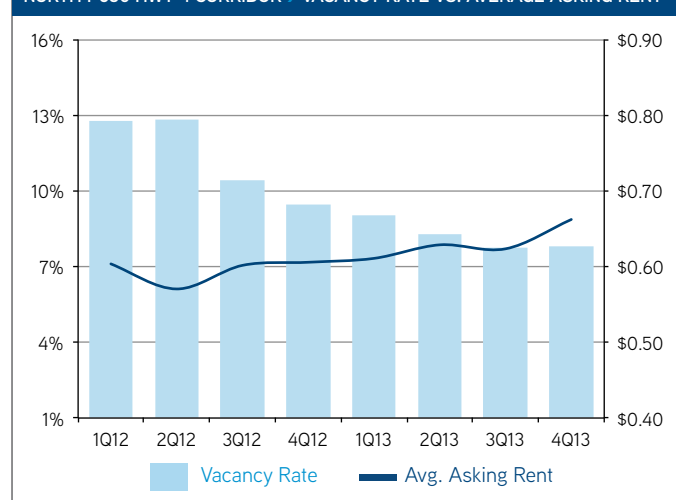
Industrial and R&D/Flex properties posted positive total net absorption totaling 44,287 square feet for the quarter while warehouse properties registered negative absorption of 53,794 square feet caused primarily by new space becoming available in Pittsburg. The largest lease transaction of the quarter was Bond Manufacturing's 117,000 square foot direct lease at Antioch Distribution Center. There was additional leasing activity at Concord Business Park in Concord. Crystal Clear Imaging leased 7,560 square feet of light industrial space on a long term lease. Highend Development took 6,326 square feet and Johnson Matthey leased 3,062 square feet in the park. There were two new leases less than 2,000 square feet transacted at Brentwood Business Center in Brentwood.

Concord vacancy increased 20 basis points to 6.5 percent, still a low figure compared to the 13.4 percent high during the recent recession. The industrial market posted 24,315 square feet of negative net absorption. Concord warehouse vacancy remained 100 percent occupied. Concord R&D vacancy fell 140 basis points to 4.7 percent and absorbed 8,399 square feet of space.

MARKET INDICATORS

	Q4	PROJECTED Q1
VACANCY	↔	↓
NET ABSORPTION	↔	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↑	↑

NORTH I-680 HWY 4 CORRIDOR > VACANCY RATE VS. AVERAGE ASKING RENT



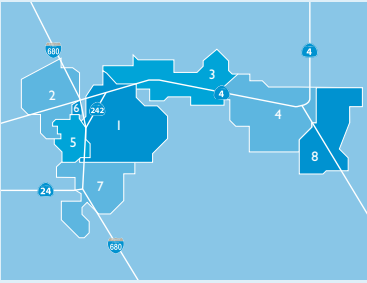
Vacancy stabilized in 4Q13 as asking rents continued to trend up.

INDUSTRIAL MARKET > Q4 2013

EXISTING PROPERTIES										ABSORPTION		CONSTRUCTION				RENTS
TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PLANNED CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
CONCORD																
IND	295	6,179,208	403,616	6.5%	27,867	0.5%	431,483	7.0%	6.6%	(24,315)	117,380	-	-	-	-	\$0.83
WH	3	264,128	-	0.0%	-	-	-	0.0%	0.0%	-	72,560	-	-	-	-	\$0.85
RD/FL	20	612,047	28,795	4.7%	-	-	28,795	4.7%	6.1%	8,399	73,939	-	-	-	-	\$1.31
TOTAL	318	7,055,383	432,411	6.1%	27,867	0.4%	460,278	6.5%	6.3%	(15,916)	263,879	-	-	-	-	\$0.86
MARTINEZ																
IND	55	935,208	69,856	7.5%	-	-	69,856	7.5%	7.5%	-	(47,342)	-	-	-	-	\$0.86
WH	3	118,898	27,960	23.5%	-	-	27,960	23.5%	23.5%	-	4,600	-	-	-	-	\$-
RD/FL	7	139,403	6,751	4.8%	-	-	6,751	4.8%	10.1%	7,342	15,329	-	-	-	-	\$1.00
TOTAL	65	1,193,509	104,567	8.8%	-	-	104,567	8.8%	9.4%	7,342	(27,413)	-	-	-	-	\$0.87
PITTSBURG																
IND	95	3,100,149	191,579	6.2%	-	-	191,579	6.2%	5.5%	(20,085)	(50,895)	-	-	-	-	\$0.63
WH	6	805,767	-	0.0%	162,029	20.1%	162,029	20.1%	0.0%	(162,029)	(162,029)	-	-	-	-	\$0.30
TOTAL	101	3,905,916	191,579	4.9%	162,029	4.1%	353,608	9.1%	4.4%	(182,114)	(212,924)	-	-	-	-	\$0.48
ANTIOCH																
IND	62	1,649,674	136,156	8.3%	-	-	136,156	8.3%	14.2%	98,402	142,807	-	-	-	-	\$0.90
WH	8	1,647,500	211,465	12.8%	-	-	211,465	12.8%	19.3%	105,735	116,735	-	-	-	-	\$0.25
RD/FL	6	85,754	-	0.0%	-	-	-	0.0%	3.6%	3,121	3,121	-	-	-	-	\$1.00
TOTAL	76	3,382,928	347,621	10.3%	-	-	347,621	10.3%	16.4%	207,258	262,663	-	-	-	-	\$0.50
PLEASANT HILL																
IND	9	289,620	17,815	6.2%	-	-	17,815	6.2%	2.2%	(11,572)	8,025	-	-	-	-	\$1.25
RD/FL	2	56,808	8,550	15.1%	-	-	8,550	15.1%	15.1%	-	(8,550)	-	-	-	-	\$0.60
TOTAL	11	346,428	26,365	7.6%	-	-	26,365	7.6%	4.3%	(11,572)	(525)	-	-	-	-	\$1.04
PACHECO																
IND	30	605,690	20,618	3.4%	-	-	20,618	3.4%	2.5%	(5,629)	(8,475)	-	-	-	-	\$0.93
TOTAL	30	605,690	20,618	3.4%	-	-	20,618	3.4%	2.5%	(5,629)	(8,475)	-	-	-	-	\$0.93
WALNUT CREEK																
IND	11	151,050	-	0.0%	-	-	-	0.0%	1.1%	1,618	-	-	-	-	-	\$1.25
RD/FL	1	162,014	-	0.0%	-	-	-	0.0%	0.0%	-	-	-	-	-	-	\$1.12
TOTAL	12	313,064	-	0.0%	-	-	-	0.0%	0.5%	1,618	-	-	-	-	-	\$1.25
BRENTWOOD																
IND	33	689,364	54,023	7.8%	-	-	54,023	7.8%	6.0%	(12,994)	9,633	-	-	-	-	\$0.95
WH	2	19,481	-	0.0%	-	-	-	0.0%	12.8%	2,500	-	-	-	-	-	\$0.84
TOTAL	35	708,845	54,023	7.6%	-	-	54,023	7.6%	6.1%	(10,494)	9,633	-	-	-	-	\$0.95
MARKET TOTAL																
IND	590	13,599,963	893,663	6.6%	27,867	0.2%	921,530	6.8%	7.0%	25,425	171,133	-	-	-	-	\$0.82
WH	22	2,855,774	239,425	8.4%	162,029	5.7%	401,454	14.1%	12.2%	(53,794)	31,866	-	-	-	-	\$0.25
RD/FL	36	1,056,026	44,096	4.2%	-	0.0%	44,096	4.2%	6.0%	18,862	83,839	-	-	-	-	\$1.12
TOTAL	648	17,511,763	1,177,184	6.7%	189,896	1.1%	1,367,080	7.8%	7.8%	(9,507)	286,838	-	-	-	-	\$0.66

QUARTERLY COMPARISON AND TOTALS

4Q13	648	17,511,763	1,177,184	6.7%	189,896	1.1%	1,367,080	7.8%	7.8%	(9,507)	286,838	-	-	-	-	\$0.66
3Q13	648	17,511,763	1,325,408	7.6%	32,165	0.2%	1,357,573	7.8%	8.3%	91,068	296,345	-	-	-	-	\$0.62
2Q13	648	17,511,763	1,403,002	8.0%	45,639	0.3%	1,448,641	8.3%	9.0%	128,526	205,277	-	-	-	-	\$0.63
1Q13	648	17,511,763	1,546,801	8.8%	30,366	0.2%	1,577,167	9.0%	9.5%	76,751	76,751	-	-	-	-	\$0.61
4Q12	648	17,511,763	1,623,552	9.3%	30,366	0.2%	1,653,918	9.4%	10.4%	170,062	691,307	-	-	-	-	\$0.61



SUBMARKET MAP

- 1 Concord
- 2 Martinez
- 3 Pittsburg
- 4 Antioch
- 5 Pleasant Hill
- 6 Pacheco
- 7 Walnut Creek
- 8 Brentwood

Total vacancy for Pittsburg increased significantly to 9.1 percent. There was 182,114 square feet of negative net absorption for the quarter. Vacancy for industrial space increased 70 basis points to 6.2 percent. Total average asking rents fell to \$0.48 PSF.

Antioch total vacancy decreased 610 basis points to 10.3 percent. There was 207,258 square feet of net absorption. Average asking rents increased \$0.12 PSF to \$0.50 PSF, the highest since the third quarter 2008. Warehouse vacancy fell 650 basis points to 12.8 percent. Average asking rents for warehouse space remained flat at \$0.25 PSF.

Sales activity was concentrated in the condo market during the fourth quarter. The most significant sale of the quarter was Olivia Garden International's purchase of a 28,750 square foot light industrial building at 2805 Verne Roberts Circle in Delta Business Park in Antioch. Other notable sales included a 4,000 square foot light industrial sale at 104 Avila Road in Concord; where Northwest Cascade was the buyer. There were several condo sales at Gateway Industrial Park in Concord that are listed in the significant transactions table below. A 2,052 square foot light industrial condo at 1300 Galaxy Way, Concord was purchased by Alexander Theriault. Finally, in Baypoint a 2,000 square foot warehouse building exchanged at 2258 Willow Pass Road.

As confidence returns to the real estate market and economy in general, small to medium sized business owners are again inclined to purchase their business property. As the business environment stabilizes, larger or publicly traded companies also tend to extend or expand their lease commitments. The recovery is also unlocking bank financing for investment properties, which will lead to more investment sale transactions. Overall, we expect these market trends to continue well into 2014.

SIGNIFICANT TRANSACTIONS

SALES ACTIVITY

PROPERTY ADDRESS	SALES DATE	SIZE SF	BUYER	TYPE
2805 Verne Roberts Circle	Oct-13	28,750	Olivia Garden International	Light Industrial
Gateway Industrial Park	Nov-13	6,760	Preston Vallee	Condo
104 Avila Road	Oct-13	5,000	Northwest Cascade	Condo
Gateway Industrial Park	Oct-13	4,434	Ed & Dawn Roth	Condo
Gateway Industrial Park	Dec-13	4,293	Eric Peterson	Condo
Gateway Industrial Park	Oct-13	3,040	Dennis & Sandra Lee	Condo

LEASING ACTIVITY

PROPERTY NAME/ADDRESS	LEASE DATE	SIZE SF	TENANT	TYPE
Antioch Distribution Center	Nov-13	117,000	Bond Manufacturing	Warehouse
Concord Business Park	Oct-13	7,560	Crystal Clear Imaging	Light Industrial
Concord Business Park	Oct-13	6,326	Highend Development	Light Industrial

482 offices in
62 countries on
6 continents

- United States: 140
- Canada: 42
- Latin America: 20
- Asia Pacific: 195
- EMEA: 85

- > \$2.0 billion in annual revenue
- > 2.515 billion square feet under combined management
- > Over 13,500 professionals

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